

Building Stronger Local Governments and Regions

***An Action Plan for the Future of
Local Governance in New Brunswick***

Report of the Commissioner on the Future of Local Governance



Executive Summary

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This review of local governance was established in September 2007 following the report of the New Brunswick Self-Sufficiency Task Force entitled **The Road to Self-Sufficiency: A Common Cause**. The Task Force expressed the view that if the province is to achieve self-sufficiency by 2026, New Brunswick communities, through local governments, must be positioned to be able to contribute collectively to this objective. It concluded that the current size and number of local government bodies within the province does not provide the local governance capacity to face the challenges of the future.

This report contains a detailed analysis of New Brunswick's current local governance institutions and of the challenges they are facing today. Some of these challenges are "internal," meaning problems that relate specifically to the organization of local governance itself, and others are "external," meaning difficulties that result from the changed socio-demographic and economic environment in which local governments operate. The recommendations in this report present a path to a more modern, efficient and effective local government system. These recommendations, developed over the course of a year, build on the more than 25 prior studies that have been conducted on various aspects of local government in New Brunswick since 1967. In the context of this review, local government institutions refer primarily to municipalities, rural communities and local service districts (LSD), but also include a variety of local special purpose bodies such as agencies, boards and commissions.

Although everywhere in Canada local governments serve two basic functions (representation and service delivery), they are not all organized in the same way. Their structure varies from one province to another, and even within the same province. Three basic organizational models have evolved over time: 1) the unitary community-based local government, which typically takes the form of a city or a town, or in rural areas, a village, township or parish; 2) the unitary regional government, which provides services for a larger area and serves as the voice of several local communities; and 3) the hybrid type, where two or more adjoining unitary government entities share certain services through an inter-municipal structure (either a metropolitan council or a regional service district). In New Brunswick, the local community-based municipality has proven to be the most enduring structure of local governance. By way of example, the City of Saint John, as an incorporated local government, dates back to 1785. A number of other cities and towns were created in the 1800s along with county municipalities.

In 1966, as part of the Equal Opportunity reforms introduced by Premier Robichaud, county governments were abolished. In their place, a number of villages were established as incorporated municipalities, and LSDs were created in the areas not served by municipalities. Existing villages, towns and cities remained in place.

Presently, not only does New Brunswick have a very large number of local administrative units (101 local municipalities, three rural communities, 267 local service districts, plus multiple agencies, boards and commissions), but their organization has not kept pace with the socio-demographic and economic changes that have occurred over the last forty years, or since the last comprehensive reforms took place. The present local government structure is neither self-sufficient nor sustainable. It has too many government entities for the population it serves and deprives many New Brunswickers of effective participation in the affairs of their communities. This multiplicity of units

promotes duplication, fragmentation, ineffectiveness and inefficiency of services while creating issues of responsibility, accountability and viability at the local level. In addition, New Brunswick has no uniform and formal mechanism to facilitate inter-municipal and regional cooperation. Local democracy and service delivery remain organized almost entirely on the basis of local and relatively small government units.

While several features of the provincial-municipal relations regime adopted in the 1960s (such as the basic distribution of responsibilities between the provincial government and municipalities, the provincial government role in property assessment and tax administration, centralized municipal borrowing, and the provision of equalization transfers by the province to municipalities) are still highly valued and must be preserved, the current structure of local government is simply not organized effectively. Furthermore, its defects cannot be fixed by tinkering around the edges. What is truly needed is a major overhaul; a new set of rules, a new framework.

This report's proposals are aimed at achieving four broad goals:

- First, to adjust local governance institutions (general-purpose local governments and specialized service units) so that they better align with today's socio-economic communities and that they better serve these communities;
- Second, to organize local governments to ensure they effectively and efficiently serve and strengthen their respective communities so they can contribute to strong local, regional and provincial economies, thus contributing to the self-sufficiency agenda;
- Third, to transform what is now a disjointed and fragmented local governance regime into a more coherent and effective whole; and
- Fourth, to give unincorporated areas of the province a voice and decision-making authority regarding local services and issues, thus addressing an important "democratic deficit."

If they are accepted, we envision that these proposals will also help achieve the following important objectives:

- Realizing a balance between the two key functions of local government (i.e., deliberative democratic forum and service delivery agent);
- Strengthening local government structures to ensure their sustainability and viability for the long term;
- Providing mechanisms through which economies of scale can be achieved, competitive advantages can be emphasized, and local, provincial and federal resources can be more effectively allocated; and
- Establishing a system of both property taxation and funding that fosters equity, fairness, accountability and self-sufficiency.

Recommendations in Brief

Municipal Structures

- All residents represented and governed by elected municipal councils, except where a separate and distinct form of local government has been instituted for the aboriginal population under federal legislation.

- Incorporated municipal governments (a total of 53) over all of the New Brunswick territory.
- Present local service districts, rural communities, villages and most towns discontinued and reconstituted into larger municipal units.
- Boundaries of the eight cities redrawn to include some of the present adjacent non-incorporated areas.
- Minimum population or property assessment thresholds required in order for a community to be incorporated as a municipality.

Refer to attached maps for proposed new and reconfigured municipality boundaries.

Regional Structures

- Regional service districts and boards (12) established to cover all of New Brunswick.
- Regional service district boards comprised of the mayors and one or more elected municipal officials delegated by each municipal council within the district.
- In each regional service district, a "weighted vote" system devised to reflect the population of each participating municipality.
- Cost of regional service district administration, services and programs funded mainly by the participating municipalities.
- Appropriate cost sharing mechanism for regional services determined by participating municipalities in each region.
- Regional service district boards not authorized to levy taxes.
- Current district planning commissions, solid waste commissions and community economic development agencies dissolved and staffs reassigned to the appropriate regional service district.
- Province provides multi-year transitional funding to each regional service district to assist with initial start-up and transition costs.

Refer to attached maps for proposed regional service district boundaries.

Regional Services

- Certain services (planning, solid waste management, policing, emergency measures, and economic development) declared "supra-municipal" by provincial legislation and offered exclusively on a regional basis through the regional service district.
- Responsibility for the planning and management of the entire solid waste stream, from collection, to recycling, to disposal transferred to the regional service district.
- Policing services organized and delivered on a regional basis once a plan has been developed through the regional service district.
- Integrated regional approach to policing services implemented within 2 years of the establishment of the regional service district, at which point present inter-municipal police commissions, where they exist, are dissolved.
- Regional service districts made responsible for regional emergency measures planning and management in their respective geographical area through an integrated approach across mandates and levels of government.

- In conjunction with the provincial Emergency Measures Organization and with the involvement of member municipalities, regional service districts develop and maintain up-to-date regional emergency measures plans.
- Community economic development closely integrated with land use planning and forms a component of a regional strategic plan for each of the regional service districts.
- Local/municipal economic development entities, where they exist, are dissolved.
- Regional economic development activities and programs cost shared between the municipalities, the province and the federal government.
- Beyond the five provincially mandated "supra-municipal" services, regional service districts are enablers of service/cost sharing arrangements and of other partnerships between member municipalities.
- As part of the regional strategic plan for each regional service district, the future development of major facilities and their respective locations are identified and prioritized.
- Provincial government mandates each of the regional service districts to undertake and complete, within five years of their establishment, a review of fire prevention and suppression services and provide future directions.
- Following the development of a transition plan, communal water and / or wastewater systems owned and operated by the provincial government, by commissions established under the *Clean Environment Act*, and those that no longer have an owner / operator are transferred to the newly formed regional service districts.

Planning

- Each regional service district mandated by legislation to develop and administer a regional strategic plan.
- Regional strategic plans and local municipal plans guided by provincial "planning statements" for key areas of activity and development.
- Provincial government adopts a firm calendar for the completion of "provincial planning statements".
- Permanent "Interdepartmental Committee of Deputy Ministers on Community Development and Land Use Planning" established to provide coordination and integration in the development and implementation of provincial planning statements.
- *Community Planning Act* amended to transfer the responsibility for the preparation and administration of regional strategic plans from the province to the regional service districts.
- Provisions for public participation at the stage of developing the initial regional strategic plan in each region.
- Regional strategic plan formally revised every five years and provisions for public participation available in the event of an application to amend the plan within this five-year period.
- The management of municipal land use plans streamlined by allowing "development officers" to approve minor variances.
- Provincial legislation providing for the professional recognition and certification of planners considered.
- Over time, planning positions in the provincial government, regional service districts and municipalities staffed with recognized professional planners.

Fiscal and Taxation Regimes

- Current provincial unconditional grant funding system to municipalities abolished.
- Elimination of the current provincial non-owner-occupied residential tax rate and reduction of the provincial non-residential tax rate from \$2.25 to \$1.50.
- Tax room made available from the provincial government to municipalities equal to non-owner-occupied residential (\$1.50) and non-residential (\$0.75).
- Four municipal property tax classes established at the municipal level to accommodate the tax room transfer, namely: residential owner-occupied, residential long-term rental, residential other, and non-residential.
- Municipalities authorized to establish local tax rates for each property tax class.
- Revenue raising disparities between the proposed 53 municipalities addressed through an equalization transfer mechanism.
- Municipal groupings based on population (under 10,000, from 10,001 to 40,000 and over 40,000) established for equalization purposes.
- Equalization funding provided on an unconditional basis.
- Province-wide, centralized, uniform, market-based approach for property assessments maintained.
- No cap or freeze of property assessment values.
- "Three-year averaging" approach to assessments considered for implementation after due consultation with the municipalities.
- Property tax billings issued on an annual basis, but remittances required on a semi-annual basis.
- Each municipality establishes area specific property tax rates for each property class commensurate with the type and level of services available in each area.
- Cost of providing local services in the former local service district territories recovered through the property tax rate(s) over an appropriate transition period.
- Cost of provincially provided local services in the former local service district territories identified and tracked at the municipal and/or regional level as appropriate.
- Provincial differential tax treatment for non-residential and non-owner-occupied residential properties in the former unincorporated areas ends.
- Full responsibility for roads in the former local service district territories remains with the provincial Department of Transportation for an appropriate transition period.
- Province of New Brunswick continues to levy 44 cents on owner-occupied residential property in former local service districts to partially offset the cost of road services in the former local service districts.
- Province extends the 44 cent tax rate to all former local service district properties and adjusts rate annually towards full recovery of the cost of road services in former local service districts using an appropriate transition period.
- 65 cent provincial levy in former local service districts reduced by 20 cents and the cost of policing services in the former local service district territories recovered from the local tax rate(s) established in the former local service district territories.
- Property taxation rules currently applicable to forests and farmlands remain essentially unchanged.

- Non-owner-occupied residential properties operated on a for-profit basis continue to be subject to the property tax levy in the “residential long-term rental” class.
- Non-owner-occupied residential properties operated on a not-for-profit basis considered for partial property tax relief and cost of such relief absorbed by the provincial government.
- Municipalities collectively address the issue of condominium owners not being provided the same level of local services as single-family dwellings while their properties are being taxed on the same basis.
- Portion of family home used as a granny suite for an immediate family member on a not-for-profit basis considered as part of the principle residence for taxation purposes.
- Separate, stable, and long-term infrastructure renewal pact (funded through sales and/or income taxes) negotiated on a timely basis between the Province and municipalities.
- New Brunswick Municipal Finance Corporation undertakes a review to determine what improvements could be made to better meet the long-term capital financing interests of both the province and municipalities.
- Province of New Brunswick consults with local governments prior to the introduction of new policies and programs that would have a financial or operational impact on them.
- Regional service districts required to develop a plan for sharing of revenues and investments for new industrial/commercial development among the municipalities within the district.

Accountability and Transparency

- Establishment of municipal government performance measures and common reporting framework.
- Introduction of clearer and more practical guidance regarding municipal councils’ closed and open meetings.
- Support application of the provisions of the proposed new *Access to Information and Protection of Privacy Act* to municipal governments.
- Establishment of guidelines regarding the disclosure of municipal campaign contributions and development of a corresponding reporting mechanism, prior to the next municipal election.
- Separation of the Notice of Assessment and Property Taxes from the actual property tax bill.
- Review of the wording and presentation of the property tax bill to ensure clarity between the provincial and municipal share of the tax charges.
- Municipalities required to publish, using a common format, the details of their annual budget (Internet and/or newspapers) specifying, among other items, shares of the budget to be allocated to the various services.
- Establishment of a “municipal affairs commission” with the mandate to offer independent advice in instances of disputes regarding municipal boundaries, future restructuring initiatives, regional service delivery agreements and matters of conflict of interest.

Legislation

- Consolidation of various statutory provisions dealing with the general organization and operation of local governments under a new and comprehensive "Local Government Organization Act".
- Consolidation of various statutory provisions regarding municipal financing under a new and comprehensive "Financing of Local Services Act".
- Use of a "spheres of jurisdiction" approach in outlining the by-law making powers and responsibilities of municipalities.
- Examination of all provisions of local governance legislation to ensure continued relevancy.
- Examination of various provincial review and approval requirements for municipal by-laws to ensure continued relevance and necessity.
- Adoption of legislative amendments required to bring about the various structural and organizational changes contemplated in this report.

Implementation

- Provincial functions relating to local governance integrated and placed under the responsibility of a single department within the organization of the provincial government.
- Establishment of an interdepartmental steering committee of deputy ministers to oversee the implementation of government decisions pertaining to the recommendations contained in this report.
- Priority given to the adoption of legislation that will provide the provincial government with the authority to establish, through regulation, the proposed new and reconfigured municipalities as well as the proposed regional service districts.
- Current funding transfer from the province to municipalities and local service districts continued until such a time as the proposed new municipalities and regional service districts are established and functional.
- As part of the transition process to the new governance system, a provisional committee established for each of the proposed 53 new or reconfigured municipal units; each provisional committee to consist of representatives of existing municipalities, local service districts and / or rural communities forming the proposed municipal unit; and each provisional committee charged with boundary review and confirmation for their respective proposed municipal unit.
- Provisional committees established for each of the 12 regional service districts with equal representation from each of the proposed new or reconfigured municipal entities participating in the regional service district.
- Regional service district provisional committees to constitute the transition boards for the regional service districts until such a time as the proposed new and reconfigured municipal units are established and operational.
- Provincial government ensures that the Department of Local Government has the necessary resources (financial, human and technical) to facilitate and effect recommended changes.
- Multi-year targeted funding provided to facilitate the establishment and operation of the proposed regional service districts.

The Way Forward

Nature of Proposed Changes

This report is not so much about mathematics (budgets, costs, savings and expenditures) as it is about a vision of local governance for the future - building a local governance system that better reflects New Brunswick's present and projected socio-demographic and economic conditions, that empower local communities and regions, that allow for greater geographical and sectoral integration, that is more accountable, and that can compete with the best in the country because it runs efficiently. The focus is on the big picture, not on individual components (program, municipality, service commission, rural community or local service district).

It is ironic that at a time when globalization is turning the world into a village, our own local communities are being transformed in every respect, but in how they govern themselves. While existing local governments may stand as separate entities, it is a fact that they have less and less control over what is happening within their borders. Local communities, much like nation-states, are becoming more and more interdependent. In the future, the local governance system in New Brunswick will be made up of stronger regions that will be the result of compromises and collaboration among the various local administrations involved.

From what we have read and heard, we are convinced that people want change at all levels of government, municipal included. They are frustrated by an ever increasing local tax burden and by the fragmented nature of local decisions and service delivery. They value their local communities, but at the same time want modern and efficient services at an affordable price. This cannot be accomplished with the present number of largely outdated local service and administrative entities. Substantial efficiencies and better decisions are available if we choose to modernize. Consolidation of local entities and sharing services are ways to bring efficiencies to local governments, as well as quality and more affordable services to the residents. It is also intended to recognize and strengthen the linkages between our rural, suburban and urban communities.

We know that both shared services and structure consolidation face many hurdles. It is not possible to have an effective local government reorganization that is neutral for every individual and every local entity. This is why the province and local administrations, together, need to find ways to tip the balance in favour of change. This is not a choice between top-down or bottom-up reforms. It is a matter of joint actions between the provincial government and local administrations.

The province, through this report, will provide the broad framework to guide the reforms and adopt specific measures to address barriers that will be encountered. Local leaders, on the other hand, will play a key role in putting in place the proposed new structures, both at the local and regional levels. A firm and sustained provincial government commitment is needed to set the stage for reform, to facilitate local efforts and to ensure that departments and agencies are attuned to the impact of their programs on local governments.

Planning and Sequencing Change

The recommendations for change contained in this report are comprehensive and far reaching. They are also interrelated, i.e., they form an integrated whole, and their implementation should be approached as such. At the same time, they are complex and will involve many resources: they cannot be acted upon all at once. Their implementation needs to be carefully planned and properly sequenced.

The proposed new fiscal model (both property tax changes and equalization grant) outlined and recommended in this report is designed to apply to a restructured local governance landscape. It will be effective and yield benefits only if applied to a smaller number of larger municipal entities and to a sharing of services environment. We caution against any attempt to apply our proposal to the present outdated local governance structure with its hundreds of administrative and service units. For example, transferring tax room to most of the present local governments would not make them significantly more financially viable and autonomous. Furthermore, it would create more disparities between them and likely demand larger unconditional grants.

We, therefore, advise that the implementation of the report's recommendations dealing with the financing of local government follow, not precede, the institution of the new or reconfigured municipalities and the creation of the regional service district structure. Several of the recommendations relating to financing will need to be phased in over a multi-year period and transition mechanisms will be required.

Public sector structural and management changes, even of a limited scale, face many constraints. This was amply demonstrated over the last couple of years through the establishment of "rural communities". They proved to be human resource intensive and required a lot of time. Changes of the scope and depth advocated in this report need not only to be tightly planned and managed, but also adequately resourced. The ability to implement such changes with success is largely dependent on the availability of adequate resources: financial, human, and technical. We therefore urge the provincial government to pay particular attention to this aspect of the implementation process. In addition to ensuring that the Department of Local Government has the necessary resources (personnel and financial) to facilitate and effect the necessary changes, multi-year targeted funding to facilitate the establishment of the new regional service districts should be set aside. These are investments that will more than pay for themselves over time.

Organizational changes of the magnitude proposed in this report have the potential to impact a large number of employees at the local government level and in regional agencies across the province. They will touch the employment status of many of the very same employees who will be needed in order to successfully implement the proposed changes. Conditions of employment, job security and career paths will be affected. The inevitable period of uncertainty that will accompany these changes could incite some of the present employees to seek employment elsewhere. This risk is that much greater given that Canada is facing significant labour force shortages in the coming years and that other provinces will be seeking to attract well trained and experienced workers from this province. On the upside, however, this human resources scarcity will likely mean that very few, if any, of the present local government and regional agency employees will be left without a job should they want to continue to work in that sector. Special measures will need to be introduced to

ensure that human resource issues are properly managed. While contractual and other legal obligations need to be respected, flexibility will be required to permit necessary staff redeployment.

Lessons Learned

The evolution of local governance in New Brunswick teaches us a number of important lessons in the area of municipal reform. First, local governance institutions tend to lag behind socio-demographic and economic changes. They follow rather than lead change.

Second, voluntary changes, if and when they happen, are painfully slow and don't always occur where they are most necessary. In fact, changes often occur following a crisis. They also have a tendency to adhere to specific short term interests and take place at the margin. Third, tackling issues one at a time is unlikely to succeed as has been demonstrated by the number of previous reviews on specific aspects of local governance. Fourth, in the past, where comprehensive reforms were undertaken, e.g., the 1966 municipal changes that were part of the Equal Opportunity program, the impetus and main thrust came from the provincial government, not from the local level.

The need for changes in local government, regional structure and service provision is linked to forces that are, for the most part, well beyond the confines of the province, let alone of local communities. The appropriate scale and organization of local government is influenced by changes in our demographics, economy, technology, and other factors that help determine public service need, effective size and cost efficiency. Furthermore, effective and efficient local governance is an essential element of economic development. New Brunswick needs to be more competitive in an increasingly global economy, and the costs and effectiveness of both provincial and local governments are a big part of this. Property tax relief (containment or reduction) and self-sufficiency will not be achievable without these fundamental transformations.

Mix of Direction and Assistance

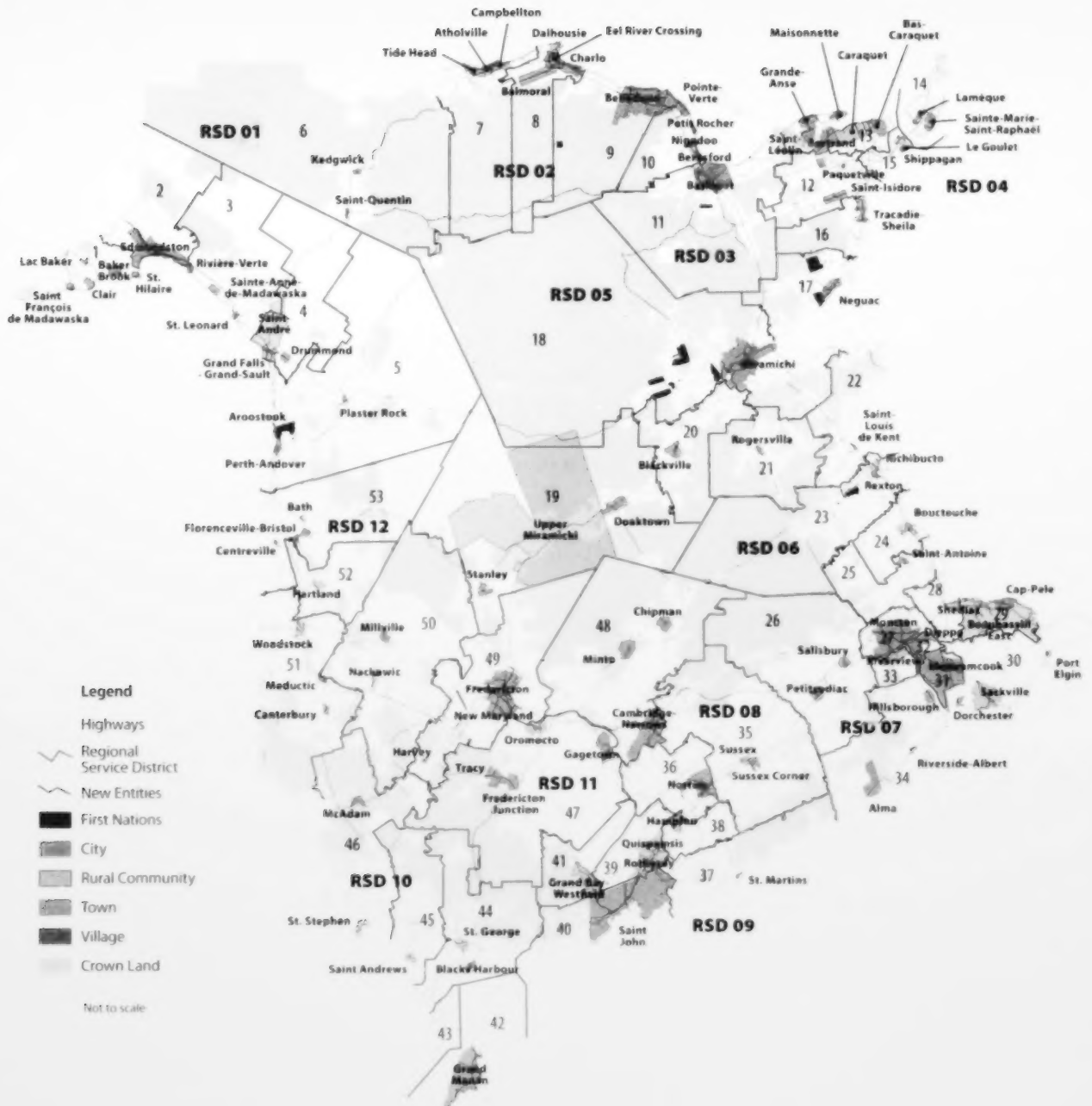
While our review of local governance ends with the issuance of this report, it is our strong belief that local governance reform in New Brunswick must be a matter of high provincial interest. Consequently, the task of reforming local government must be initiated and aggressively pursued at the provincial level through the right mix of enlightened direction and assistance. The onus of providing the general framework and parameters within which changes will occur rests squarely with the government of the province. Local governments cannot reasonably be expected to assume leadership in this area. However, they can, and should, be partners in instituting the necessary changes, provided that the province equips them with the right tools and assists them with appropriate resources. This means the province reviewing its own relationships with the municipalities and the way it conducts business with them, as well as removing barriers to inter-municipal collaboration and facilitating/promoting local efficiencies and successful practices.

Leader Again

New Brunswick can become a leader again in local governance in Canada, much like it did following the reforms of the 1960s. To do so, however, the Province needs to act boldly, much in the way that the government of Louis J. Robichaud acted in its day. Changes made at that time, some of which were vehemently opposed by local government leaders and communities, proved to be the right ones and have found favour with most New Brunswickers. We firmly believe that most of the systemic changes proposed in this report, should they be implemented, will be similarly embraced. And, we can also say with some certainty that reform, if approached entirely on a voluntary basis, as has generally been the case for the last 40 years, will not fundamentally alter the present governance structure. Voluntary-based reform undertakings, while producing a rich record of research and deliberation, have not produced the system-wide, enduring results of the type that are now so urgently required to put in place a more efficient, effective and representative system of local governance for all residents of New Brunswick.

Provincial Map

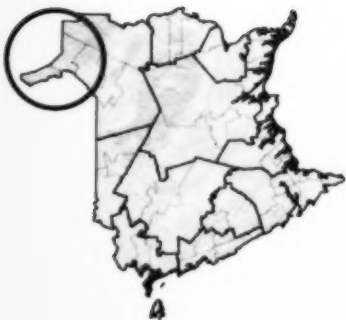
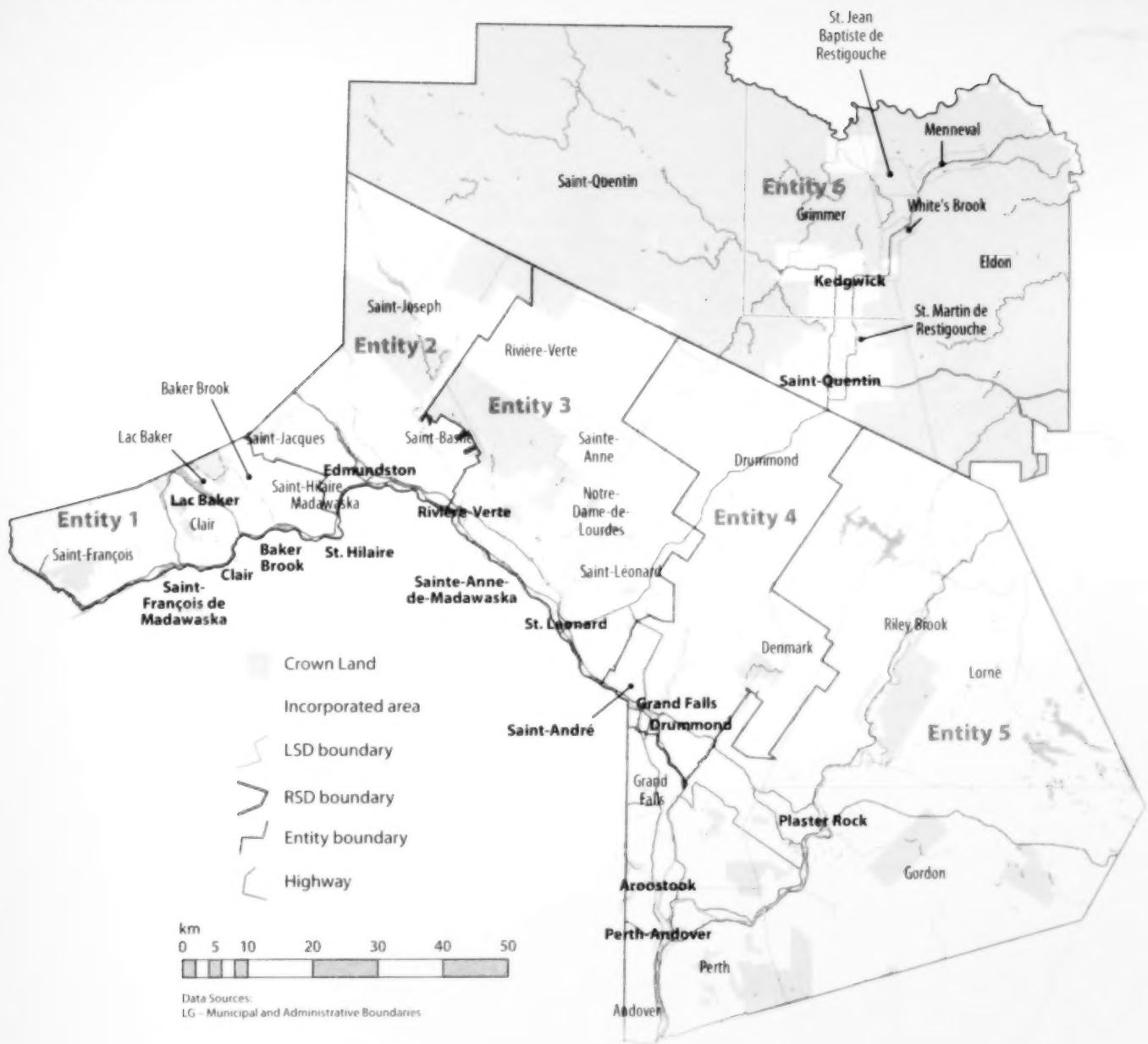
Regional Service Districts and Municipal Entities



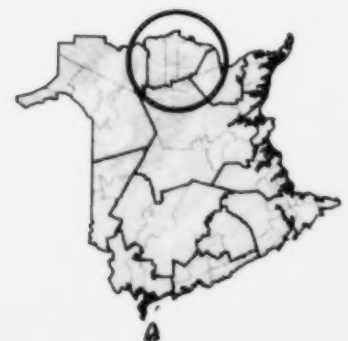
Provincial Map



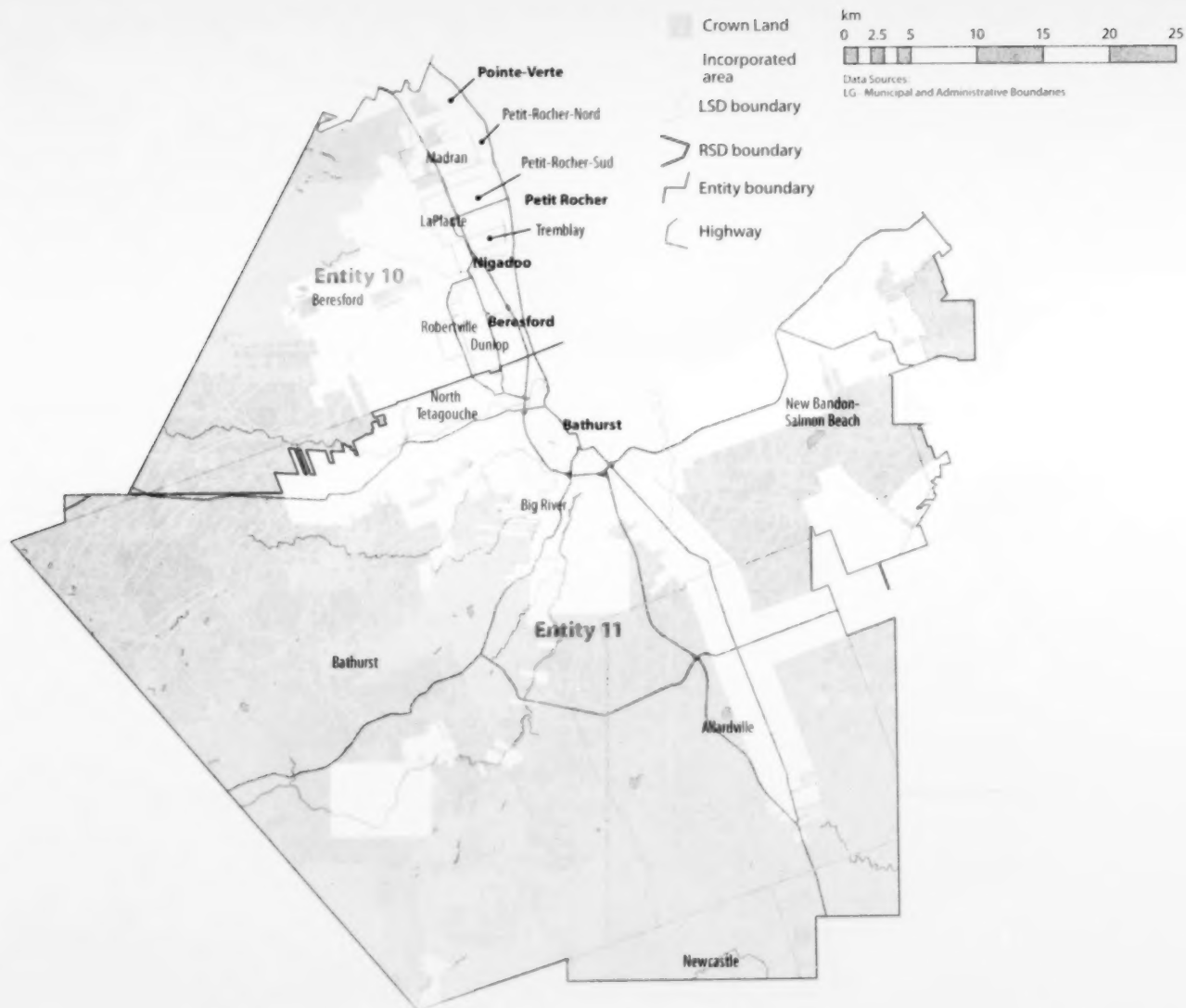
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Regional Service District 2



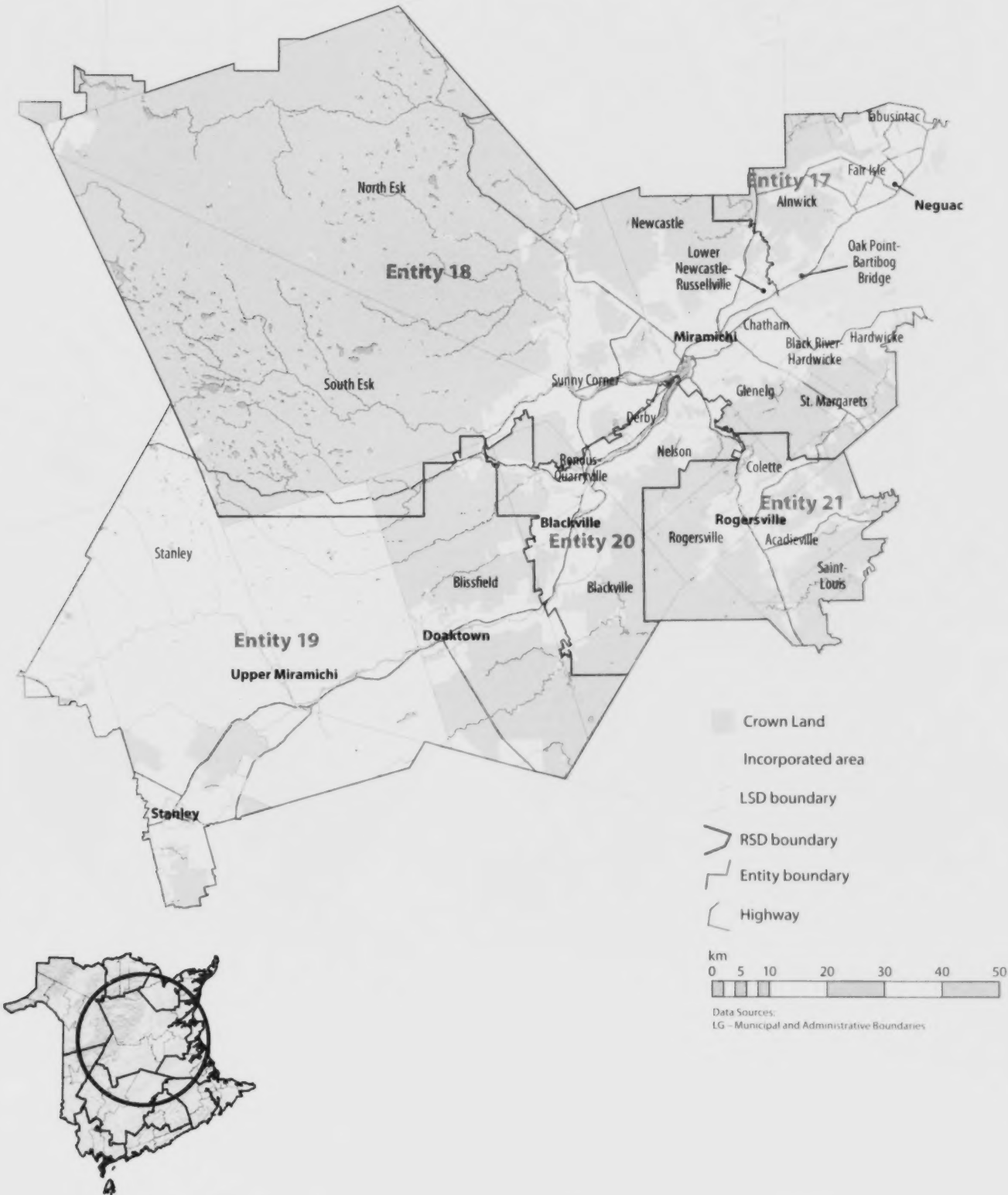
Regional Service District 3



Regional Service District 4



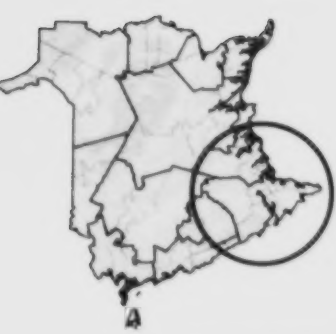
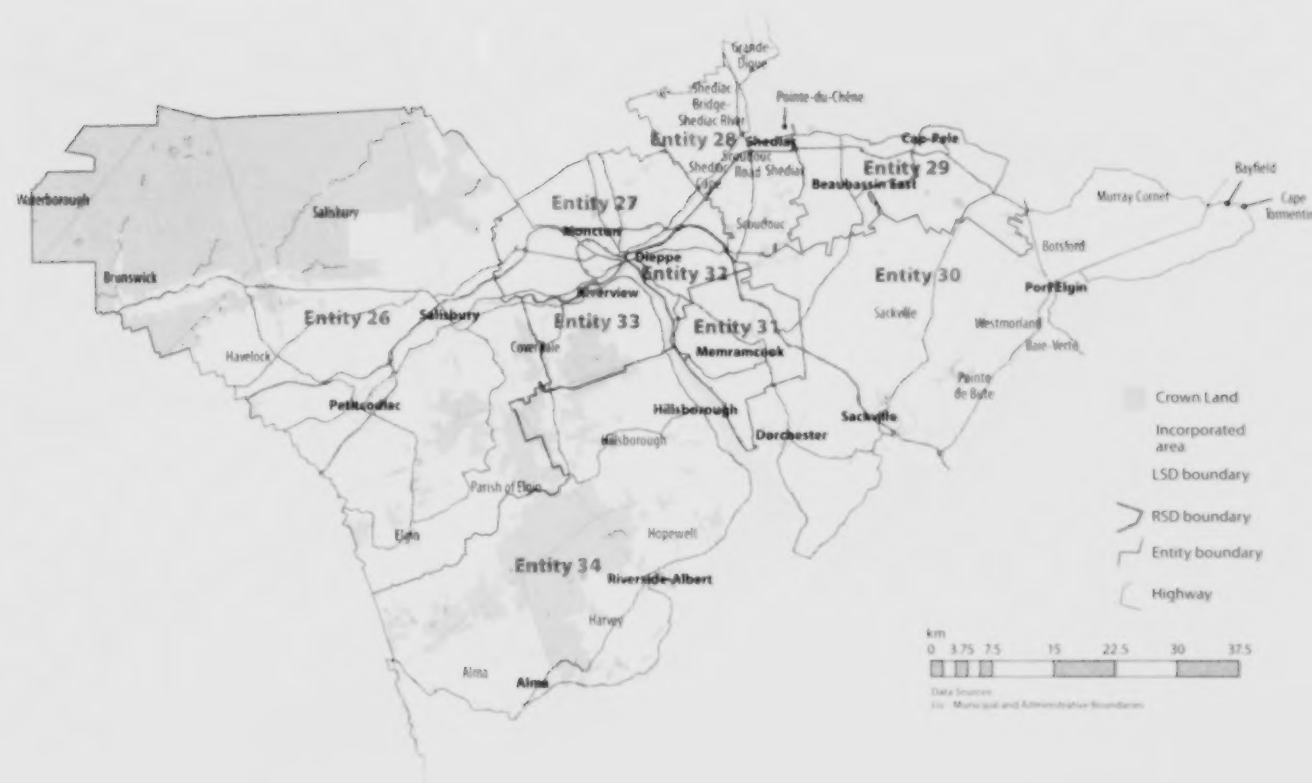
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Regional Service District 6



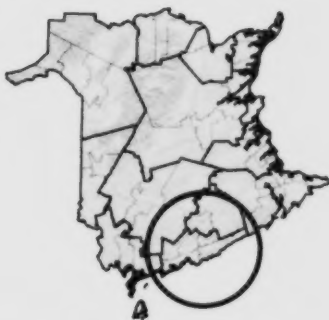
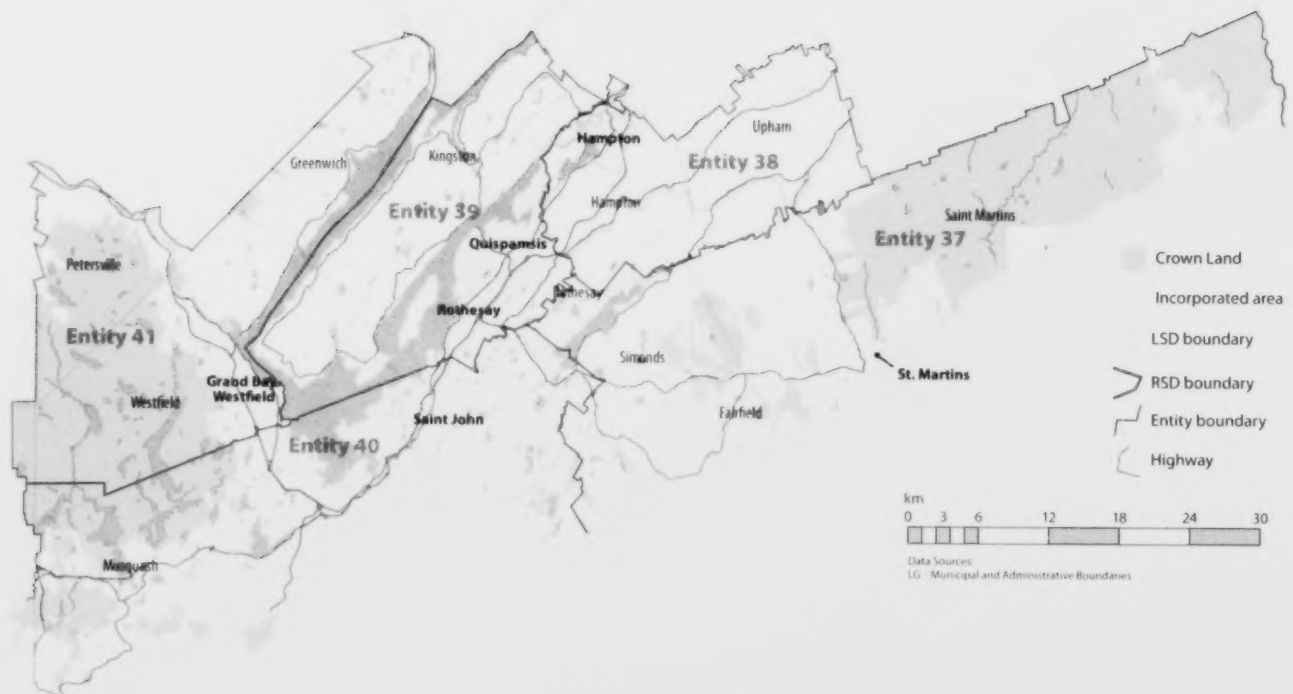
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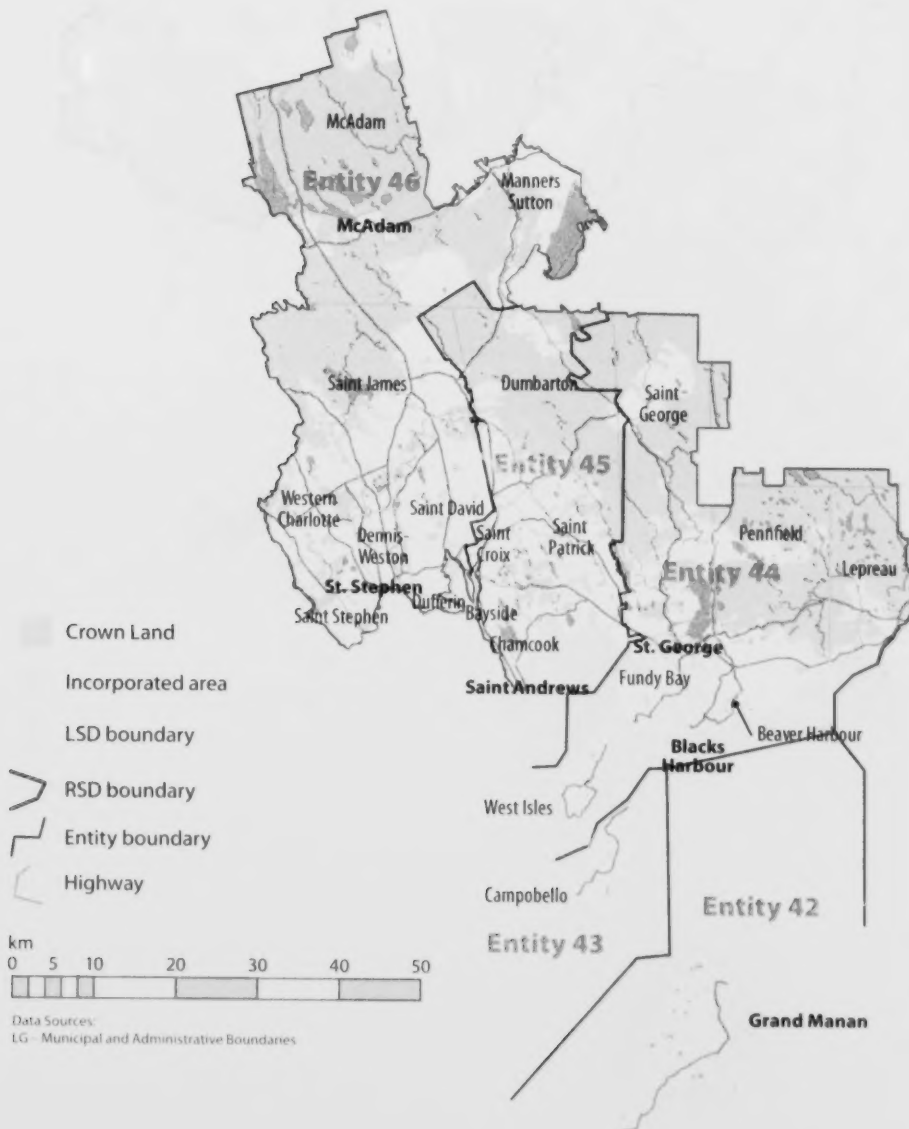
Regional Service District 8



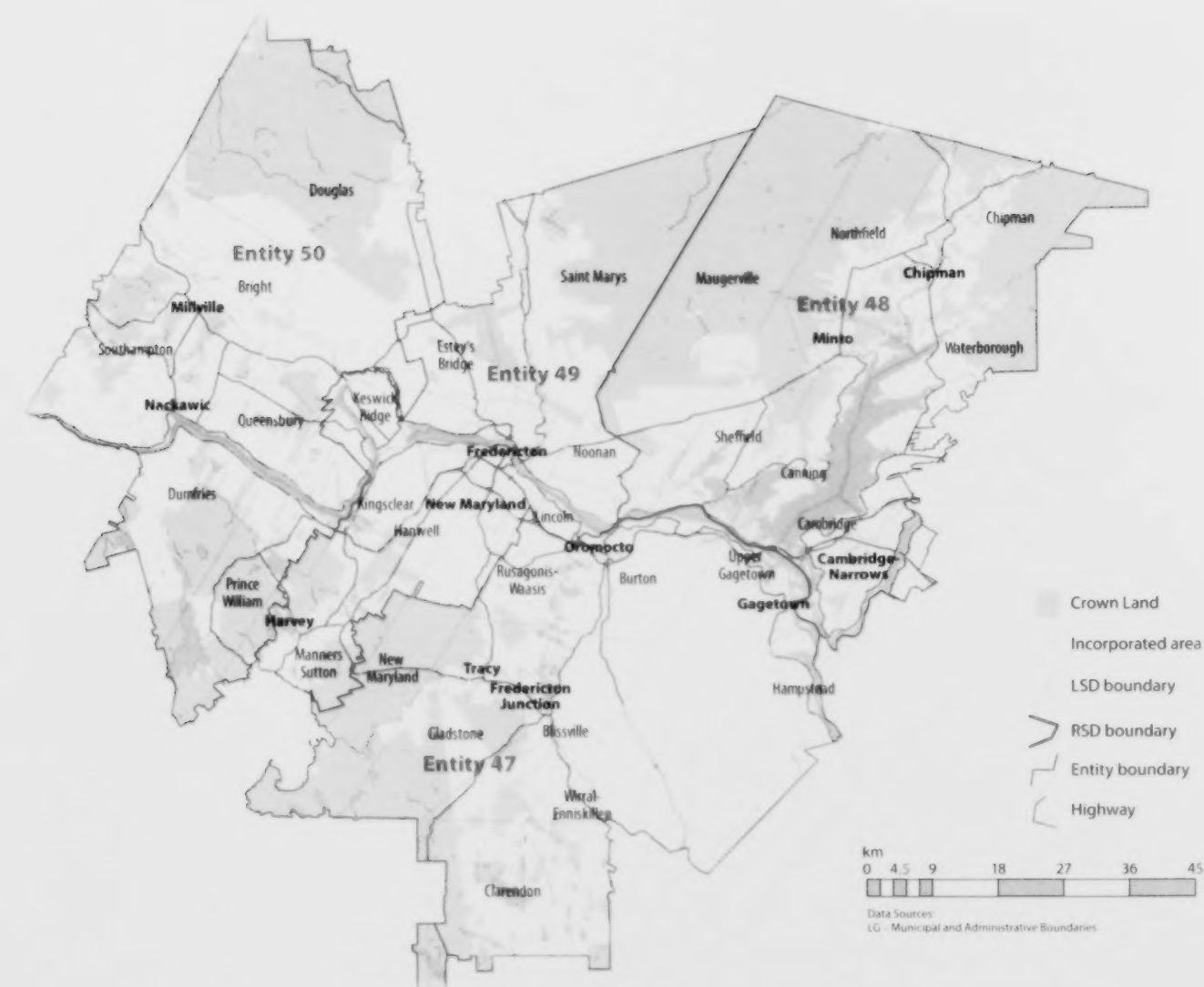
Regional Service District 9



Regional Service District 10



Regional Service District 11



Regional Service District 12





